

ENGLAND ECONOMIC AND INDUSTRIAL DEVELOPMENT DISTRICT

ALEXANDRIA, LOUISIANA

JUNE 30, 2002

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Release Date 1/22/03

ENGLAND ECONOMIC AND INDUSTRIAL DEVELOPMENT DISTRICT

JUNE 30, 2002

TABLE OF CONTENTS

	<u>EXHIBIT</u>	<u>PAGE</u>
Independent Auditor's Report.....		1-2
General Purpose Financial Statements.....		3
Combined Balance Sheet – All Fund Types and Account Groups.....	A	4
Combined Statement of Revenues, Expenditures, and Changes in Fund Balance – All Governmental Fund Types.....	B	5
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual - General Fund.....	C	6
Notes to Financial Statements.....		7-16
Individual Fund Financial Statements.....		17
General Fund.....		18
General Fund – Balance Sheet.....	D-1	19
General Fund – Statement of Revenues, Expenditures, And Changes in Fund Balance – Budget and Actual.....	D-2	20-22
Capital Projects Fund.....		23
Capital Projects Fund – Balance Sheet.....	E-1	24
Capital Projects Fund – Statement of Revenues, Expenditures, And Changes in Fund Balance.....	E-2	25
Additional Information.....		26
	<u>SCHEDULE</u>	
Schedule of Expenditure of Federal Financial Assistance.....	1	27
Schedule of Passenger Facility Charges Revenue and Disbursements.....	2	28
Other Reports.....		29
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		30-31
Report on Compliance with Requirements Applicable To each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.....		32-33
Schedule of Findings and Questioned Costs.....		34-36
Report on Compliance With Requirements Applicable To the Passenger Facility Charge Program and on Internal Control Over Compliance in Accordance with <i>The Passenger Facility Charge Audit Guide for Public Agencies</i>		37-38
Management's Corrective Action Plan.....		39-40



PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners
England Economic and Industrial
Development District

We have audited the accompanying general purpose financial statements and the individual fund and account group financial statements of the England Economic and Industrial Development District, Alexandria, Louisiana, as of June 30, 2002, and for the year then ended as listed in the table of contents. These financial statements are the responsibility of the England Economic and Industrial Development District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the England Economic and Industrial Development District, as of June 30, 2002 and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the individual fund financial statements and the account group financial statements referred to above present fairly, in all material respects the financial position of each of the individual funds and account groups of the England Economic and Industrial Development District, as of June 30, 2002, and the results of operations of such funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2002, on our consideration of the internal control over financial reporting of the England Economic and Industrial Development District and our tests of its compliance with certain provisions of laws and regulations. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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ERNEST F. SASSER, C.P.A.

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PAYNE, MOORE & HERRINGTON, LLP

The Board of Commissioners
England Economic and Industrial
Development District

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole and on the individual fund and account group financial statements of the England Economic and Industrial Development District. The accompanying financial information listed as additional information in the table of contents, including the schedule of expenditures of federal awards as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the schedule of passenger facility charges revenue and disbursements as required by the Federal Aviation Administration's *Passenger Facility Charge Audit Guide for Public Agencies*, is presented for purposes of additional analysis and is not a required part of the financial statements of the England Economic and Industrial Development District. Such information has been subjected to the auditing procedures applied in the audit of the general purpose, individual fund and account group financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements of each of the respective individual funds and account groups taken as a whole.

Payne, Moore, & Herrington, LLP

Certified Public Accountants

November 20, 2002

GENERAL PURPOSE FINANCIAL STATEMENTS

The general purpose financial statements, which include all funds and account groups of the District, are designed to provide an overview of the financial position and results of operations for the District as a whole. Information in the form of individual fund and account group statements is included elsewhere in this report to the extent such presentation expands on the financial information presented in these general purpose financial statements.

**ENGLAND ECONOMIC AND INDUSTRIAL DEVELOPMENT DISTRICT
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2002**

EXHIBIT A

	<u>Governmental Funds</u>		<u>Account Groups</u>		
	<u>General</u>	<u>Capital Projects</u>	<u>General Fixed Assets</u>	<u>General Long-term Debt</u>	<u>Total (Memorandum Only)</u>
ASSETS					
Cash and cash equivalents	\$ 1,647,004	\$ 5,521,133	\$ -	\$ -	\$ 7,168,137
Receivables (net of allowance for uncollectibles)	209,486	3,467,468	-	-	3,676,954
Prepaid expenses	51,290	-	-	-	51,290
General fixed assets	-	-	37,261,147	-	37,261,147
Amount to be provided for retirement of long-term debt	-	-	-	644,503	644,503
<u>TOTAL ASSETS</u>	<u>\$ 1,907,780</u>	<u>\$ 8,988,601</u>	<u>\$ 37,261,147</u>	<u>\$ 644,503</u>	<u>\$ 48,802,031</u>
LIABILITIES AND FUND EQUITY					
Liabilities					
Accounts and contracts payable	\$ 160,524	\$ 2,242,501	\$ -	\$ -	\$ 2,403,025
Accrued expenses and other payables	28,665	-	-	-	28,665
Due to other governments	28,861	-	-	-	28,861
Deferred revenue	7,451	-	-	-	7,451
Tenant deposits	65,658	-	-	-	65,658
Contingent tenant rebates	121,798	-	-	-	121,798
Compensated absences payable	-	-	-	39,503	39,503
Certificates of indebtedness	-	-	-	605,000	605,000
Total Liabilities	412,957	2,242,501	-	644,503	3,299,961
Fund equity					
Investment in general fixed assets	-	-	37,261,147	-	37,261,147
Fund balance					
Reserved for PFC Projects	-	516,378	-	-	516,378
Unreserved - designated	1,494,823	6,229,722	-	-	7,724,545
Total Fund equity	1,494,823	6,746,100	37,261,147	-	45,502,070
<u>TOTAL LIABILITIES AND FUND EQUITY</u>	<u>\$ 1,907,780</u>	<u>\$ 8,988,601</u>	<u>\$ 37,261,147</u>	<u>\$ 644,503</u>	<u>\$ 48,802,031</u>

The accompanying notes are an integral part of the financial statements.

**ENGLAND ECONOMIC AND INDUSTRIAL DEVELOPMENT DISTRICT
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2002**

EXHIBIT B

	General	Capital Projects	Total (Memorandum Only)
REVENUES			
Intergovernmental	\$ -	\$ 10,423,479	\$ 10,423,479
Lease revenue and related fees	6,833,833	-	6,833,833
Passenger facility charges		337,717	337,717
Investment income	190,827	-	190,827
Miscellaneous	382,062	-	382,062
Total Revenues	7,406,722	10,761,196	18,167,918
EXPENDITURES			
Current			
General government			
Executive division	127,311	-	127,311
Administrative division	848,684	21,026	869,710
Public safety	674,225	-	674,225
Operations			
Landside operations	570,019	-	570,019
Vehicle maintenance	222,270	-	222,270
Tenant services	223,495	-	223,495
Airport operations	1,207,444	-	1,207,444
General and administration	922,760	-	922,760
Economic development	180,333	-	180,333
Disadvantaged business enterprise program		232,364	232,364
Debt service	200,570	-	200,570
Capital outlay	103,252	12,626,620	12,729,872
Total Expenditures	5,280,363	12,880,010	18,160,373
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,126,359	(2,118,814)	7,545
OTHER FINANCING SOURCES (USES)			
Operating transfers in (out)	(2,686,966)	2,686,966	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(560,607)	568,152	7,545
FUND BALANCE, BEGINNING OF YEAR	2,055,430	6,177,948	8,233,378
FUND BALANCE, END OF YEAR	\$ 1,494,823	\$ 6,746,100	\$ 8,240,923

The accompanying notes are an integral part of the financial statements.

**ENGLAND ECONOMIC AND INDUSTRIAL DEVELOPMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2002**

EXHIBIT C

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Lease revenue and related fees	\$ 6,836,626	\$ 6,833,833	\$ (2,793)
Investment income	192,000	190,827	(1,173)
Miscellaneous	384,814	382,062	(2,752)
Total Revenues	7,413,440	7,406,722	(6,718)
EXPENDITURES			
Current			
General government			
Executive division	127,323	127,311	12
Administrative division	869,394	848,684	20,710
Public safety	685,330	674,225	11,105
Operations			
Landside operations	676,470	570,019	106,451
Vehicle maintenance	225,705	222,270	3,435
Tenant services	223,872	223,495	377
Airport operations	1,194,660	1,207,444	(12,784)
General and administrative	1,012,383	922,760	89,623
Economic development	175,265	180,333	(5,068)
Debt service	200,570	200,570	-
Capital outlay	84,164	103,252	(19,088)
Total Expenditures	5,475,136	5,280,363	194,773
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,938,304	2,126,359	188,055
OTHER FINANCING SOURCES (USES)			
Operating transfers out	(2,686,966)	(2,686,966)	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(748,662)	(560,607)	188,055
FUND BALANCE, BEGINNING OF YEAR	2,055,430	2,055,430	-
FUND BALANCE, END OF YEAR	\$ 1,306,768	\$ 1,494,823	\$ 188,055

The accompanying notes are an integral part of the financial statements.

ENGLAND ECONOMIC AND INDUSTRIAL DEVELOPMENT DISTRICT

JUNE 30, 2002

NOTES TO FINANCIAL STATEMENTS

INTRODUCTION

England Economic and Industrial Development District (the District) was created by the State of Louisiana Legislature for the following purposes:

- Accepting title from the United States of America to property included in the England Air Force Base.
- Utilizing that and other property, and all assistance available from the United States government and all other sources, to replace and enhance the economic benefits generated by the former air base with diversified activities.

A Board of Commissioners appointed by various governmental units located within Rapides Parish governs the District. The District has the power to incur debt and issue revenue and general obligation bonds, certificates of indebtedness, anticipation notes, refunding bonds, and the power of taxation, subject to the limitations provided in the revised statutes governing the District.

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

GASB Statement No. 14, *The Reporting Entity*, as amended, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the District is considered a primary government, since it is a special purpose government that has a separately appointed governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the District may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt. The District also has no component units; defined by GASB Statement No. 14 as other legally separate organizations for which the board members are financially accountable. There are no other primary governments with which the District has a significant relationship.

Fund Accounting

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

ENGLAND ECONOMIC AND INDUSTRIAL DEVELOPMENT DISTRICT

JUNE 30, 2002

NOTES TO FINANCIAL STATEMENTS

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Governmental funds account for the District's activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital projects funds), and the servicing of general long-term debt (debt service funds). The general fund accounts for all activities of the general government not accounted for in some other fund. At present the District maintains only a general fund and a capital projects fund.

The General Fixed Asset Account Group accounts for fixed assets owned by the District.

The General Long-Term Debt Account Group accounts for the District's long-term debt.

Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All government funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All governmental fund types use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means the amount is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers most revenues available if they are collected within 60 days after the fiscal year end. Expenditures are recorded when the related fund liability is incurred.

Those revenues subject to accrual include grants, leases and related fees, and passenger facility charges.

The District may report deferred revenue on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the District receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

ENGLAND ECONOMIC AND INDUSTRIAL DEVELOPMENT DISTRICT

JUNE 30, 2002

NOTES TO FINANCIAL STATEMENTS

Budgets

The Board of Commissioners adopts an annual operating budget of proposed expenditures and the means of financing them for its general fund in accordance with state law. As allowed by state law, the Board of Commissioners may amend the budget as conditions change. The budget is prepared in accordance with accounting standards generally accepted in the United States of America. All unexpended appropriations expire at the close of the fiscal year.

Project length financial plans are adopted for the capital projects fund. Because these non-operating budgets primarily serve a management control function and related appropriations are continuing in nature, no comparison between budgeted and actual amounts for the capital projects funds is provided in this document.

Although budgets are adopted on a line item basis, the overall level of control is on a cost center basis, i.e., administration, operations, and economic development.

Encumbrance Accounting

Purchase orders, contracts, and other commitments to engage in future expenditures are referred to as encumbrances. Encumbrances are recorded in order to reserve a portion of the applicable appropriation for the anticipated expenditure. All encumbrances expire at the close of the fiscal year.

Cash and Cash Equivalents

Amounts reported as cash and cash equivalents include all cash on hand, cash in bank accounts, certificates of deposit with maturity of three months or less when acquired, and highly liquid investments held in the Louisiana Asset Management Program.

Receivables

Receivables are shown net of the estimated allowance for uncollectible amounts. The uncollectible amounts are based on collection experience and review of the status of existing receivables.

Interfund Receivables and Payables

Interfund receivables and payables occur when transactions between individual funds are executed. These balances are typically liquidated within one year of origination. These interfund receivables and payables, if any, are not eliminated in the preparation of combined financial statements.

General Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the

ENGLAND ECONOMIC AND INDUSTRIAL DEVELOPMENT DISTRICT

JUNE 30, 2002

NOTES TO FINANCIAL STATEMENTS

related assets are reported in the general fixed assets account group. General fixed assets are reported at historical cost or, if donated, at estimated fair value at the time of receipt.

Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are not capitalized, as these assets are immovable and of value only to the District.

Assets in the general fixed assets account group are not depreciated.

Contingent Tenant Rebates

Tenants leasing residential homes (houses only, not apartments) are eligible to receive a rebate equal to a maximum of 10% of the first three years of rental payments if the tenant leaves in good standing and applies the rebate to the purchase of a home within Rapides Parish. If these conditions are not met, the rebate reverts to the District and is recorded as lease income.

Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave of governmental funds not expected to be liquidated with expendable available financial resources are reported in the general long-term debt account group. *No accrued current expenditures are reported in the governmental funds, as the amounts are considered immaterial.* No liability is recorded for compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the employer and employee.

Fund Equity

Reserves, if any, represent those portions of fund equity legally segregated for a specific future use. Designations, if any, represent tentative plans for future use of financial resources.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Total Columns on Combined Statements – Overview

Total columns on the combined statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in fund balance in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

ENGLAND ECONOMIC AND INDUSTRIAL DEVELOPMENT DISTRICT

JUNE 30, 2002

NOTES TO FINANCIAL STATEMENTS

2. CASH

At year-end, cash and cash equivalents consisted of the following:

Petty Cash	\$	950
Cash in bank		141,480
Highly liquid investments in the Louisiana Asset Management Pool		<u>7,025,707</u>
	\$	7,168,137

The District's cash in bank, at year-end, was entirely covered by federal depository insurance or by collateral held by the District or its agent in the District's name.

The highly liquid investments held in the Louisiana Asset Management Pool (LAMP), a local government investment pool, are not categorized in the three risk categories provided by GASB because the investment is in the pool of funds and, therefore, not evidenced by securities that exist in physical or book entry form.

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with state law. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the United States of America or one of its agencies, as well as repurchase agreements collateralized by those securities, and investment grade (A-1/P-1) commercial paper of domestic United States corporations.

LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. LAMP, Inc. is subject to the regulatory oversight of the state treasurer and its board of directors. LAMP is not registered with the SEC as an investment company.

3. RECEIVABLES

	General	Capital Projects
Accounts receivable	\$ 103,792	\$ 58,848
Leases receivable	177,725	
Intergovernmental		3,408,620
Economic development loan	<u>51,438</u>	
Gross receivables	332,955	<u>3,467,468</u>
Allowance for uncollectibles	<u>(123,469)</u>	
Net receivables	\$ 209,486	\$ 3,467,468

ENGLAND ECONOMIC AND INDUSTRIAL DEVELOPMENT DISTRICT

JUNE 30, 2002

NOTES TO FINANCIAL STATEMENTS

The economic development loan consists of draws on a \$600,000 non-revolving construction line of credit for the construction of a hotel on District property. The interest rate on this loan shall equal the Hibernia National Bank Repo Sweep Standard Overnight Pricing rate plus 0.5% with a minimum of 3.25% and a maximum of 5.00%. The loan shall be repaid in 180 monthly payments, starting in November 2001, with the first 60 payments consisting solely of the then accrued interest on the outstanding principal balance.

4. GENERAL FIXED ASSETS

A summary of changes in general fixed assets is presented below:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
Land	\$ 2,600,721	\$	\$	\$ 2,600,721
Vehicles, machinery, and equipment	2,843,191	54,549		2,897,740
Buildings and improvements	14,470,474	360,869		14,831,343
Capital improvements - plans and studies	1,293,273			1,293,273
Construction in progress	<u>9,213,846</u>	<u>6,424,224</u>		<u>15,638,070</u>
	\$30,421,505	\$ 6,839,642	\$ -	\$37,261,147

A summary of significant construction and renovation projects is presented below:

	<u>Project Authorization</u>	<u>Expended To Date</u>	<u>Commitments</u>	<u>Required Further Financing</u>
Airport Projects				
Terminal	\$23,409,113	\$ 2,027,252	\$ 3,321,288	(A)
ARFF complex	2,055,809	1,939,397	116,817	(A)
Taxiways	6,243,331	431,927	871,547	(A)
Aprons (ramps)	8,022,058	7,905,145	119,585	(A)
Other	<u>552,363</u>	<u>165,059</u>	<u>328,672</u>	(A)
	40,282,674	12,468,780	4,757,909	
Landside Projects				
Golf course expansion	<u>12,465,754</u>	<u>10,011,642</u>	<u>2,400,116</u>	None
	\$52,748,428	\$22,480,422	\$ 7,158,025	

(A) The airport projects are funded by federal and state grants, and operating transfers from the General Fund. In addition, the District plans to issue approximately \$3,100,000 in revenue bonds in a future fiscal year to complete construction of the terminal.

ENGLAND ECONOMIC AND INDUSTRIAL DEVELOPMENT DISTRICT

JUNE 30, 2002

NOTES TO FINANCIAL STATEMENTS

5. GENERAL LONG-TERM DEBT

At year-end, general long-term debt consisted of the following:

	<u>Interest Rate</u>	<u>Amount</u>
Accrued compensated absences		\$ 39,503
Certificates of Indebtedness		
Series 1993 – capital projects	6.5%	40,000
Series 1995 – capital projects	6.0%	<u>565,000</u>
		\$ 644,503

The certificates of indebtedness are secured by and payable from a pledge of the excess of annual revenues above statutory, necessary and usual charges incurred by the District.

The annual requirements to amortize outstanding long-term debt, other than compensated absences, including interest of \$72,950, is as follows:

<u>Year Ended June 30th</u>	
2003	\$ 202,600
2004	157,050
2005	158,650
2006	<u>159,650</u>
	\$ 677,950

Conduit Debt Obligations

The District issued industrial revenue bonds to provide financial assistance to private sector entities for the construction of industrial facilities deemed to be in the public interest. These bonds are secured by the property financed and are payable solely by the private sector entities. Neither the District, nor the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2002, the aggregate principal outstanding on these bonds was \$22,190,000.

6. FUND BALANCES

Reserved Fund Balance

The District is authorized by the Federal Aviation Administration (FAA) to collect Passenger Facility Charges (PFC). In connection with the PFC, the FAA issued a record of decision, which specifies how the PFC funds may be spent. At June 30, 2002, due to the limitations imposed by the record of decision, fund balance in the amount of \$516,378 in the Capital Projects Fund is reserved for these specified projects. The amount presented as reserved is based on the amount of unexpended PFC funds that are held by the District plus interest earned on the unexpended PFC funds.

ENGLAND ECONOMIC AND INDUSTRIAL DEVELOPMENT DISTRICT

JUNE 30, 2002

NOTES TO FINANCIAL STATEMENTS

Designated Fund Balances

Designations represent tentative plans for the future use of financial resources. At year-end, the Board of Commissioners has designated fund balances for use in the following manner:

	<u>General Fund</u>	<u>Capital Projects Funds</u>
Capital improvements	\$	\$ 6,229,722
Operating reserve	<u>1,494,823</u>	
	\$ 1,494,823	\$ 6,229,722

7. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks of loss are covered by a comprehensive commercial insurance policy and workers compensation insurance. Claims resulting from these risks have historically not exceeded insurance coverage.

8. CONTINGENCIES

The District is party to legal proceedings involving suits filed against the District for various reasons. Some of these suits claim damages that are material in amount. The amount of losses, if any, that may arise from these suits cannot be reasonably estimated. Management does not believe that the District is exposed to any material losses not covered by insurance. No provision for losses is included in the financial statements.

The District receives grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could result in a request for reimbursement for disallowed costs under the terms of the grant agreements. In the opinion of management, such disallowance, if any, would be insignificant.

9. LEASES

As mentioned previously, the District is responsible for utilizing the property formerly known as England Air Force Base. In order to fulfill this responsibility, the District has executed a lease agreement with the United States Air Force. In order to replace and enhance the economic benefits generated by the former air base, the District leases a portion of the property to tenants in a manner that is expected to have a positive effect on the local economy. Details regarding the District's leasing activities are provided as follows:

ENGLAND ECONOMIC AND INDUSTRIAL DEVELOPMENT DISTRICT

JUNE 30, 2002

NOTES TO FINANCIAL STATEMENTS

Lease Agreement with the United States Air Force

Title to a portion of the former England Air Force Base has been granted to the District. The District occupies the remainder of the property under a lease agreement with the United States Air Force. As consideration for the rights received under the lease, the District is required to maintain the property, provide security, and furnish fire protection.

The lease has an initial term of 55 years; however, the District expects to receive title to the remaining leased property before the initial term expires. If necessary, the District has an option to renew the lease for an additional term upon expiration of the initial term. Furthermore, either party may cancel the lease without cause provided the party canceling the lease furnishes 30 days written notice.

Leasing Operations

One of the District's primary activities and sources of income is leasing property to various tenants. Since most of the property utilized in this activity is subject to the District's lease arrangement with the United States Air Force, its lease agreements with the tenants are structured as subleases. The subleases' terms include provisions for automatic termination of the subleases if the primary lease with the Air Force is terminated.

Future minimum rentals on subleases, based on terms in effect at year-end, for the next five years and in aggregate are presented as follows:

<u>Year Ended June 30th</u>	<u>Future Minimum Lease Payments</u>
2003	\$ 2,841,050
2004	1,911,243
2005	886,840
2006	495,005
2007	<u>271,600</u>
	\$ 6,405,738

Contingent rental income in excess of the minimum rental amounts specified in the subleases included in the accompanying financial statements as lease revenues and related fees totaled \$598,289.

10. GASB 34 IMPLEMENTATION

In June 1999, the Governmental Accounting Standards Board (GASB) approved Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. GASB Statement No. 34 established new financial reporting requirements for all state and local governments, consisting of the following:

ENGLAND ECONOMIC AND INDUSTRIAL DEVELOPMENT DISTRICT

JUNE 30, 2002

NOTES TO FINANCIAL STATEMENTS

- A. Management Discussion and Analysis (MD&A) section providing an analysis of the government entity's overall financial position and results of operations.
- B. Basic Financial Statements:
 - 1) Government-wide financial statements prepared using the economic resources measurement focus and the accrual basis of accounting. These statements are designed to provide a broad overview of a government entity's finances, in a manner similar to private sector business.
 - 2) Fund financial statements, consisting of a series of statements that focus on a government's major governmental funds, using the modified accrual basis of accounting, and enterprise funds, if any.
 - 3) Notes to the financial statements that include various disclosures for the government-wide and fund financial statements to ensure that a complete picture is presented.
 - 4) Required supplementary information, such as budgetary comparison schedules.

In addition, this new GASB statement requires depreciation expense to be reported in the government-wide financial statements. However, depreciation expense will not be reported in the fund statements that use the modified accrual basis of accounting.

GASB 34 becomes effective for the District and the general provisions will be implemented for the fiscal year ending June 30, 2004.

INDIVIDUAL FUND FINANCIAL STATEMENTS

GENERAL FUND

This fund is the general operating fund of the District. It accounts for operations traditionally associated with the District, which are not required to be accounted for in another fund.

**ENGLAND ECONOMIC AND INDUSTRIAL DEVELOPMENT DISTRICT
GENERAL FUND
BALANCE SHEET
JUNE 30, 2002**

EXHIBIT D-1

ASSETS

Cash and cash equivalents	\$ 1,647,004
Receivables	
Accounts	103,792
Leases	177,725
Economic development loans	51,438
Allowance for uncollectibles	(123,469)
Prepaid expenses	<u>51,290</u>
<u>TOTAL ASSETS</u>	<u>\$ 1,907,780</u>

LIABILITIES AND FUND EQUITY

LIABILITIES

Accounts and contracts payable	\$ 160,524
Accrued expenses and other payables	28,665
Due to other governments	28,861
Deferred revenue	7,451
Tenant deposits	65,658
Contingent tenant rebates	<u>121,798</u>
Total Liabilities	412,957

FUND BALANCE

Unreserved - designated	<u>1,494,823</u>
-------------------------	------------------

<u>TOTAL LIABILITIES AND FUND EQUITY</u>	<u>\$ 1,907,780</u>
---	----------------------------

The accompanying notes are an integral part of the financial statements.

**ENGLAND ECONOMIC AND INDUSTRIAL DEVELOPMENT DISTRICT
GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2002**

**EXHIBIT D-2
(Continued)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Lease revenue and related fees			
Landside leases and related fees	\$ 3,691,096	\$ 3,689,633	\$ (1,463)
Airport leases and related fees	3,145,530	3,144,200	(1,330)
Investment income	192,000	190,827	(1,173)
Miscellaneous	<u>384,814</u>	<u>382,062</u>	<u>(2,752)</u>
Total Revenues	7,413,440	7,406,722	(6,718)
EXPENDITURES			
Current			
General government			
Executive division			
Salaries	102,726	102,726	-
Employee benefits	<u>24,597</u>	<u>24,585</u>	<u>12</u>
Totals	127,323	127,311	12
Administrative division			
Salaries	186,955	186,731	224
Employee benefits	61,787	61,767	20
Professional services	226,518	219,595	6,923
Insurance	235,051	214,077	20,974
Telephone	15,211	15,919	(708)
Office supplies and expenses	56,991	24,461	32,530
Provision for doubtful accounts	-	38,268	(38,268)
Other	<u>86,881</u>	<u>87,866</u>	<u>(985)</u>
Totals	869,394	848,684	20,710
Public safety			
Fire protection	357,714	357,714	-
Security	<u>327,616</u>	<u>316,511</u>	<u>11,105</u>
Totals	685,330	674,225	11,105

The accompanying notes are an integral part of the financial statements.

**ENGLAND ECONOMIC AND INDUSTRIAL DEVELOPMENT DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2002**

**EXHIBIT D-2
(Continued)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operations			
Landside Operations			
Salaries	221,914	220,981	933
Employee benefits	72,547	72,595	(48)
Repairs and maintenance	284,593	181,160	103,433
Waste collection	38,788	36,149	2,639
Supplies	58,628	59,134	(506)
Totals	676,470	570,019	106,451
Vehicle maintenance			
Salaries	61,683	61,749	(66)
Employee benefits	17,634	17,662	(28)
Repairs and maintenance	116,388	114,777	1,611
Fuel and oil	30,000	28,082	1,918
Totals	225,705	222,270	3,435
Tenant services	223,872	223,495	377
Airport operations			
Salaries	222,889	223,709	(820)
Employee benefits	87,433	87,537	(104)
Professional services	20,822	20,827	(5)
Repairs and maintenance	28,016	33,511	(5,495)
Fire protection	556,570	557,682	(1,112)
Security	110,930	108,967	1,963
Supplies	168,000	175,211	(7,211)
Totals	1,194,660	1,207,444	(12,784)

The accompanying notes are an integral part of the financial statements.

**ENGLAND ECONOMIC AND INDUSTRIAL DEVELOPMENT DISTRICT
GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2002**

**EXHIBIT D-2
(Concluded)**

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
General and administrative			
Salaries	93,744	93,796	(52)
Employee benefits	23,038	23,033	5
Professional services	268,324	257,408	10,916
Utilities	500,000	526,760	(26,760)
Repairs and maintenance	30,000	212	29,788
Telephone	16,277	15,660	617
Office supplies and expenses	6,000	3,696	2,304
Other	75,000	2,195	72,805
Totals	1,012,383	922,760	89,623
Economic development			
Salaries	65,611	65,611	-
Employee benefits	15,999	15,991	8
Marketing	93,655	98,731	(5,076)
Totals	175,265	180,333	(5,068)
Debt service	200,570	200,570	-
Capital outlay	84,164	103,252	(19,088)
Total Expenditures	5,475,136	5,280,363	194,773
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,938,304	2,126,359	188,055
OTHER FINANCING SOURCES (USES)			
Operating transfers out	(2,686,966)	(2,686,966)	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES	(748,662)	(560,607)	188,055
FUND BALANCE, BEGINNING OF YEAR	2,055,430	2,055,430	-
<u>FUND BALANCE, END OF YEAR</u>	<u>\$ 1,306,768</u>	<u>\$ 1,494,823</u>	<u>188,055</u>

The accompanying notes are an integral part of the financial statements.

CAPITAL PROJECT FUND

The Capital Project Fund accounts for financial resources used for the acquisition or construction of major capital additions.

**ENGLAND ECONOMIC AND INDUSTRIAL DEVELOPMENT DISTRICT
CAPITAL PROJECTS FUND
BALANCE SHEET
JUNE 30, 2002**

EXHIBIT E-1

ASSETS

Cash and cash equivalents	\$ 5,521,133
Receivables	
Accounts	58,848
Intergovernmental	<u>3,408,620</u>
<u>TOTAL ASSETS</u>	<u>\$ 8,988,601</u>

LIABILITIES AND FUND EQUITY

LIABILITIES

Accounts and contracts payable	\$ 2,242,501
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FUND BALANCE

Reserved for PFC Projects	516,378
Unreserved - designated for capital projects	<u>6,229,722</u>
Total Fund Balance	<u>6,746,100</u>

TOTAL LIABILITIES AND FUND EQUITY

\$ 8,988,601

The accompanying notes are an integral part of the financial statements.

**ENGLAND ECONOMIC AND INDUSTRIAL DEVELOPMENT DISTRICT
CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2002**

EXHIBIT E-2

REVENUES

Intergovernmental	
Federal	\$ 7,547,107
State	2,876,372
Passenger facility charges	<u>337,717</u>
Total Revenues	10,761,196

EXPENDITURES

Current	
PFC Application	21,026
Disadvantaged business enterprise program	232,364
Capital outlay	
Landside related projects	
Golf course expansion	3,741,321
Other	289,710
Airport related projects	
Terminal	951,369
ARFF complex	1,794,622
Aprons (ramps)	5,352,315
Other	<u>497,283</u>
Total Expenditures	<u>12,880,010</u>

EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,118,814)
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OTHER FINANCING SOURCES (USES)

Operating transfers in (out)	<u>2,686,966</u>
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EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES	568,152
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FUND BALANCE, BEGINNING OF YEAR	<u>6,177,948</u>
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<u>FUND BALANCE, END OF YEAR</u>	<u>\$ 6,746,100</u>
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The accompanying notes are an integral part of the financial statements.

ADDITIONAL INFORMATION

**ENGLAND ECONOMIC AND INDUSTRIAL DEVELOPMENT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2002**

SCHEDULE 1

FEDERAL GRANTOR	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
US Department of Transportation		
Direct Programs		
Airport Improvement Program	20.106	\$ 7,547,107

Notes:

The accompanying schedule of expenditures of federal awards is presented on the modified accrual basis of accounting. Note 1 to the financial statements provides additional information relative to the District's accounting policies.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the general purpose financial statements.

No federal funds were awarded to subrecipients during the year ended June 30, 2002.

See independent auditor's report.

**ENGLAND ECONOMIC AND INDUSTRIAL DEVELOPMENT DISTRICT
SCHEDULE OF PASSENGER FACILITY CHARGES REVENUE AND DISBURSEMENTS**

SCHEDULE 2

	6/30/01	Year Ending June 30, 2002					6/30/02
	Cumulative	Quarter 1	Quarter 2	Quarter 3	Quarter 4	FY - 02	Cumulative
	Program Totals	Jul. - Sept.	Oct. - Dec.	Jan. - March	Apr. - Jun.	Total	Program Totals
Revenue							
Collections	\$ 571,928	85,051	61,302	68,757	117,782	332,892	\$ 904,820
Interest	3,074	2,803	1,697	1,374	1,988	7,862	10,936
Total Revenue	575,002	87,854	62,999	70,131	119,770	340,754	915,756
Disbursements							
APP 99-01-C-00-AEX							
ARFF Vehicle	343,967	-	-	-	-	-	343,967
Terminal construction	-	-	-	-	-	-	-
Terminal financing and interest	-	-	-	-	-	-	-
PFC Application Fees	34,385	-	-	21,026	-	21,026	55,411
Total APP 99-01-C-00-AEX	378,352	-	-	21,026	-	21,026	399,378
Net PFC Revenue	196,650	87,854	62,999	49,105	119,770	319,728	516,378
Unexpended PFC Funds,							
Beginning of Period	-	196,650	284,504	347,503	396,608	196,650	-
PFC Account Balance, End of Period	\$ 196,650	\$ 284,504	\$ 347,503	\$ 396,608	\$ 516,378	\$ 516,378	\$ 516,378

Notes:

The accompanying schedule of passenger facility charges revenue and disbursements is prepared on the cash basis of accounting in accordance with the requirements of the Federal Aviation Administration. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the general purpose financial statements. Note 1 to the financial statements provides additional information relative to the District's accounting policies.

See independent auditor's report.

OTHER REPORTS



PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

**Report On Compliance and
On Internal Control Over Financial Reporting Based On An Audit
Of General Purpose, Individual Fund, and Account Group Financial Statements
Performed In Accordance With *Government Auditing Standards***

The Board of Commissioners
England Economic and Industrial Development District

We have audited the general purpose financial statements and the individual fund and account group financial statements of the England Economic and Industrial Development District, as of and for the year ended June 30, 2002, and have issued our report thereon dated November 20, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the England Economic and Industrial Development District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one possible instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings and questioned costs as Finding 2002-01.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the England Economic and Industrial Development District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

MARVIN A. JUNEAU, C.P.A.
H. FRED RANDOW, C.P.A.
ERNEST F. SASSER, C.P.A.

ROBERT L. LITTON, C.P.A.
ROBERT W. DYORAK, C.P.A.
REBECCA B. MORRIS, C.P.A.

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PAYNE, MOORE & HERRINGTON, LLP

The Board of Commissioners
England Economic and Industrial Development District

This report is intended solely for the information and use of the Board of Commissioners and management of the England Economic and Industrial Development District, and the Legislative Auditor of the State of Louisiana. It is not intended to be and should not be used by anyone other than these specified parties.

Payne, Moore & Herrington, LLP

Certified Public Accountants

November 20, 2002



PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

**Report on Compliance With Requirements Applicable To
The Major Program And Internal Control Over Compliance
In Accordance with OMB Circular A-133**

The Board of Commissioners
England Economic and Industrial Development District

Compliance

We have audited the compliance of the England Economic and Industrial Development District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2002. The England Economic and Industrial Development District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the England Economic and Industrial Development District's management. Our responsibility is to express an opinion on the England Economic and Industrial Development District's compliance based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the England Economic and Industrial Development District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the England Economic and Industrial Development District's compliance with those requirements.

In our opinion the England Economic and Industrial Development District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2002.

MARVIN A. JUNEAU, C.P.A.
H. FRED RANDOW, C.P.A.
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PAYNE, MOORE & HERRINGTON, LLP

The Board of Commissioners
England Economic and Industrial Development District

Internal Control Over Compliance

The management of the England Economic and Industrial Development District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the England Economic and Industrial Development District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirement of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Commissioners and management of the England Economic and Industrial Development District, and the Legislative Auditor of the State of Louisiana. It is not intended to be and should not be used by anyone other than these specified parties.

Payne, Moore, & Herrington, LLP

Certified Public Accountants

November 20, 2002

**ENGLAND ECONOMIC AND INDUSTRIAL DEVELOPMENT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2002**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
Material weaknesses identified?	_____ yes	___x___ no
Reportable conditions identified that are not considered to be material weaknesses?	_____ yes	___x___ none reported
Possible noncompliance material to financial statements noted?	___x___ yes	_____ no
<i>Management's Corrective Action Plan</i>	<i>See Attached</i>	
<i>Management's Summary Schedule of Prior Audit Findings</i>	<i>Not Applicable</i>	
<i>Memorandum of Recommendations and Other Comments</i>	None	

Federal Awards

Internal control over major programs:		
Material weaknesses identified?	_____ yes	___x___ no
Reportable conditions identified that are not considered to be material weaknesses?	_____ yes	___x___ none reported
Type of auditor's report issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	_____ yes	___x___ no
Identification of major programs:		

CFDA Number

20.106

Name of Federal Program

Airport Improvement Program

Dollar threshold used to distinguish
between type A and type B programs:

\$300,000

Auditee qualified as low-risk auditee?

_____ yes ___x___ no

**ENGLAND ECONOMIC AND INDUSTRIAL DEVELOPMENT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2002**

SECTION II - FINANCIAL STATEMENT FINDINGS

FINDING 2002-01

QUESTION CONCERNING ARTICLE 7, SECTION 14

We were required by the Louisiana Legislative Auditor to investigate an allegation that the District violated Article 7, Section 14 of the Louisiana constitution by rescinding a lease with a tenant. The information below summarizes the results of our investigation.

Criteria: Article 7, Section 14 of the Louisiana constitution provides, in part, that things of value of the state or any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporation, public or private. Attorney General Opinion 76-1709 expressed the opinion that a mutual rescission of a lease contract by a public body, as obligee, without any consideration, would be, in effect, a donation of "property, or things of value" within the meaning of the aforesaid constitutional article and thus violative thereof. In addition, various court cases indicate that Article 7, Section 14 is violated whenever the state or a political subdivision seeks to give up a thing of value when it is under no legal obligation to do so.

Condition: Effective January 1, 1999, Cleco Services, L.L.C., a Louisiana Limited Liability company, leased Building 1905 from the District for a period of five years, beginning on the 1st day of January, 1999 and ending on the 31st day of December, 2003. Cleco Services, L.L.C., was a wholly owned subsidiary of Central Louisiana Electric Company, Inc (Cleco). Cleco Services, L.L.C., name was subsequently changed to UTS, LLC (lessee). Effective April 1, 2001, the lessee sold substantially all of its assets and ceased doing business at the leased premises. On October 16, 2001, the lessee requested termination of the lease under section 3.1 of the lease agreement, which provided, in part, that the lease may be terminated by the mutual consent of the lessor and lessee. On January 24, 2002, the District approved termination of the lease effective January 31, 2002. In consideration for terminating the lease, the lessee transferred title of a bucket truck valued at \$30,000 to the District. The District then immediately took possession of the building so that it was available for lease. Twenty-three months remained in the lease at the time of termination, or approximately \$123,000 in future lease revenue.

The above facts give rise to the following questions:

- Does the termination of the contract violate Article 7, Section 14 of the Louisiana Constitution when the District was under no legal obligation to terminate the lease?
- Was the value of the bucket truck adequate consideration for the termination of the lease?

The Board considered a number of sound business reasons in terminating the lease, with which we agree. However, we are unable to determine if the termination of the lease created a violation of Article 7, Section 14 of the Louisiana constitution.

Management's Response: See Management's Corrective Action Plan.

**ENGLAND ECONOMIC AND INDUSTRIAL DEVELOPMENT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2002**

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.



PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

**Report On Compliance With Requirements Applicable To
The Passenger Facility Charge Program And On Internal Control Over Compliance
In Accordance With The Passenger Facility Charge Audit Guide for Public Agencies**

The Board of Commissioners
England Economic and Industrial Development District

Compliance

We have audited the compliance of the England Economic and Industrial Development District with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (Guide), for its passenger facility charge program for the year ended June 30, 2002. Compliance with the requirements of laws and regulations applicable to its passenger facility charge program is the responsibility of the England Economic and Industrial Development District's management. Our responsibility is to express an opinion on the England Economic and Industrial Development District's compliance based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Passenger Facility Charge Audit Guide for Public Agencies* issued by the Federal Aviation Administration. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the England Economic and Industrial Development District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the England Economic and Industrial Development District's compliance with those requirements.

In our opinion the England Economic and Industrial Development District complied, in all material respects, with the requirements referred to above that are applicable to its passenger facility charge program for the year ended June 30, 2002.

MARVIN A. JUNEAU, C.P.A.
H. FRED RANDOW, C.P.A.
ERNEST F. SASSER, C.P.A.

ROBERT L. LITTON, C.P.A.
ROBERT W. DVORAK, C.P.A.
REBECCA B. MORRIS, C.P.A.

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PAYNE, MOORE & HERRINGTON, LLP

The Board of Commissioners
England Economic and Industrial Development District

Internal Control Over Compliance

The management of the England Economic and Industrial Development District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws and regulations applicable to its passenger facility charge program. In planning and performing our audit, we considered the England Economic and Industrial Development District's internal control over compliance with requirements that could have a direct and material effect on its passenger facility charge program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance in accordance with the Guide.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirement of laws and regulations that would be material in relation to the passenger facility charge program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Commissioners and management of the England Economic and Industrial Development District, the Legislative Auditor of the State of Louisiana, and the Federal Aviation Administration. It is not intended to be and should not be used by anyone other than these specified parties.

Payne, Moore & Herrington, LLP

Certified Public Accountants

November 20, 2002

MANAGEMENT'S CORRECTIVE ACTION PLAN

**ENGLAND ECONOMIC AND INDUSTRIAL DEVELOPMENT DISTRICT
MANAGEMENT'S CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2002**

The England Economic and Industrial Development District respectfully submits the following corrective action plan for the year ended June 30, 2002.

Independent Public Accounting Firm: Payne, Moore & Herrington, LLP
P. O. Box 13200
Alexandria, LA 71315-3200
(318) 443-1893

Auditee Contact Person: Kevin Brown
England Economic and Industrial Development District
1611 Arnold Drive
Alexandria, LA 71303
(318) 449-8822

Audit period: July 1, 2001 through June 30, 2002

The findings from the Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the numbers assigned in the Schedule.

FINDING 2002-01

QUESTION CONCERNING ARTICLE 7, SECTION 14

Summary: Our auditors were required by the Louisiana Legislative Auditor to investigate an allegation that the District violated Article 7, Section 14 of the Louisiana constitution by rescinding a lease with a tenant.

Management's response: The District feels that this lease was terminated in appropriate fashion in accordance with the terms of the lease agreement. Corporate counsel advised the District prior to lease termination that there was no violation of the Louisiana Constitution in this matter. The lease was terminated by mutual consent after much public discussion by the board, recommendation by staff and legal recommendation by corporate counsel. Items impacting favorably on the termination requested were the \$30,000 bucket truck, \$80,218 in building improvements done by UTS LLC, avoidance of litigation fees, continued business relationship with CLECO and immediate possession of the leased premises.